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SUBJECT: SCENESETTER FOR VISIT OF CODEL MCCONNELL TO AMMAN

¶1. (SBU) Embassy Amman welcomes the April 8-11 visit to Jordan of CODEL McConnell. Jordan remains one of the United States' strongest partners in the Middle East. Per the CODEL's request, we have received tentative agreement for an audience with King Abdullah and are seeking a meeting with new Foreign Minister Nasser Judeh. Likely topics of discussion in these meetings include regional politics, specifically the Israeli-Palestinian conflict, the state of play in Iraq, and preferred approaches to Syria and Iran. The global economic crisis, its impact on Jordan, and potential effect on U.S. assistance levels may come up as well. As background for these meetings, Embassy Amman provides the following information.

¶2. (SBU) King Abdullah recently marked his 10th anniversary on the throne of the Hashemite Kingdom of Jordan. Celebrations of his ascension will take place later this year; the actual date of his ascension is seen as a time of mourning for the late King Hussein. King Abdullah has used his stewardship to drive economic and, to a more limited degree, political reform and to advocate stable, moderate governance in the region. Jordan maintains a close relationship with the USG and benefits from significant strong military and foreign assistance programs. As in the past, Jordan is again requesting supplemental aid, in part to help the country cope with the affects of the global economic downturn.

The Economy

¶3. (SBU) Jordan has few natural resources and is the fourth most water poor country in the world. With a per capita gross domestic product (GDP) of about \$3,000 and a population of nearly six million, Jordan has one of the smallest economies in the region. The country imports about 95% of its energy and food needs. To overcome these challenges, King Abdullah has focused the government heavily on economic reforms, such as lifting fuel subsidies, reducing external debt, liberalizing trade, and developing renewable, nuclear and other indigenous energy resources. The GOJ has worked closely with USAID to reform its regulatory environment and to encourage foreign investment by making the Kingdom a good place to do business. Jordan joined the World Trade Organization in 2000 and is developing trade relationships and agreements with the EU, the Greater Arab Free Trade Area, Singapore, Canada, Pakistan, Turkey, and China. The U.S. continues to be one of Jordan's leading trade partners thanks to U.S.-Jordan Free Trade Agreement (FTA) which entered into force in 2001 and takes full effect in 2010, and the Qualifying Industrial Zones (QIZs) which allow duty and quota

free access to the U.S. for goods that meet certain rules of origin including Israeli content. As a result of these efforts, Jordan saw real GDP growth average around 6 percent in recent years, boosted by investment from Gulf Arab countries, sales of phosphate and potash (used to produce fertilizer), and exports of garments to the U.S.

¶4. (SBU) Such growth is expected to slow in 2009 due to the impact of the global financial crisis. Although conservative monetary policies helped protect Jordan from immediate external shocks, Jordan's economy is starting to feel the effects of the crisis as weak domestic and international demand and tightening credit have caused local companies to lose business, suffer cash flow problems, and lay off employees. The Government of Jordan (GOJ) projects the following: export growth will drop from 38% in 2008 to -3% in 2009; government revenue will be reduced 7% by \$500 million in 2009; tourism growth will drop from 16% in 2008 to -2% in 2009; unemployment will rise to 15%; and remittances from abroad will decline significantly due to the return of Jordanian expats from the Gulf (remittances were valued at 19% of GDP in 2007). Foreign direct investment is also expected to fall as Gulf investors repatriate capital. The GOJ points to such indicators to demonstrate that the pressure being placed on Jordan's budget and economy can negatively affect its fiscal and monetary stability.

Politics

¶5. (SBU) The King appoints Jordan's Prime Minister and

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consults closely with the PM on the selection of cabinet ministers. King Abdullah advocates political reform, though efforts in this regard have been slowed by a recalcitrant bureaucracy, a conservative political establishment, and the GOJ's prioritization of economic reform. The government is dominated by East Bank tribes--historically, a key pillar of royal authority--and accelerated change could alter the long-standing status quo they find favorable. Domestic political opposition (and indeed, the most effective political party) lies with the political wing of the Jordanian Muslim Brotherhood, the Islamic Action Front, which holds six seats in parliament and relies for support primarily on Jordan's Palestinian-origin population. Jordan's Prime Minister, Nader Al-Dahabi, reshuffled his Cabinet in late February; the reshuffle, which brought in more conservatives, has received mixed reviews.

Foreign Policy

¶6. (SBU) Jordanian foreign policy encourages stability by supporting moderate governance throughout the region, and the GOJ has been a reliable member of the moderate Arab camp. A primary foreign policy concern for King Abdullah is the Israeli-Palestinian dispute. The King has publicly stated that the lack of progress in resolving this issue is the greatest threat to stability in the region, and he has responded positively to the appointment of SE Mitchell, whom he has met twice in Amman. The King strongly advocates a two-state solution to the Israeli-Palestinian problem and supports Palestinian Authority President Mahmud Abbas, whom he considers the legitimate representative of Palestinians in both the Gaza Strip and the West Bank. Jordanian officials consistently express concern that Jordan will be asked to assume a degree of guardianship of the West Bank, which King Hussein formally abandoned in 1988.

¶7. (SBU) King Abdullah has supported U.S. goals in Iraq, including engaging with Iraqi Prime Minister Nouri Al-Maliki's government, whom PM Dahabi hosted in June 2008. Just months later in August, the King became the first Arab head of state to visit Iraq since the fall of Saddam Hussein, and shortly thereafter Jordan named an Ambassador to Baghdad,

who largely remains in Jordan pending projected completion of the Embassy building in Baghdad in May. Jordan has also agreed to send a Defense Attache at the senior level to Baghdad in the near future.

Jordan's Engagement with the USG

¶18. (SBU) Jordan maintains a close relationship with the USG, and King Abdullah firmly supports U.S. priorities and initiatives. The United States and Jordan share a long history of cooperating to achieve shared goals, cooperation that is often facilitated by U.S. assistance. Jordan received USD 561.4 million in non-military aid in 2008, an increase of 120% over 2007, making Jordanians some of the highest per-capita recipients of foreign assistance. A non-binding Memorandum of Understanding signed in September 2008 by then Secretary of State Rice and then Foreign Minister Salah Al-Bashir outlined U.S. support over the next five years proposing USD 360 million per year in Economic Support Funds (ESF) and USD 300 million per year in Foreign Military Financing (FMF). Additionally, Jordan recently requested USD 300 million in 2009 supplemental ESF funds and USD 200 million in supplemental FMF through the Ministry of Planning and Cooperation and the Jordanian Armed Forces (JAF), respectively.

Demographics

¶19. (SBU) Jordan's population of approximately 6 million is split primarily between East-Bank Jordanians (Jordanians whose families trace their heritage to the East Bank of the Jordan River), and Palestinian-origin Jordanians (and their descendants) who arrived in Jordan in 1948 after the first Arab-Israeli war, and in 1967, following Israel's occupation of the then-Jordanian West Bank. There are approximately 1.9 million UNRWA-registered refugees inside Jordan (some of whom live in 13 designated refugee camps). Many

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Palestinian-origin Jordanians (including most of the registered refugees), however, hold Jordanian citizenship, are integrated into Jordanian society, and lead the business sector.

¶10. (SBU) Jordan also hosts numerous Iraqis who have fled the conflict and its after-effects, and has made some efforts to extend access to social services to them. The GOJ is reluctant to formally classify the Iraqis as refugees, because of concerns that a new permanent refugee populace in Jordan would further erode the demographic position of East Bankers. The GOJ emphasizes that hosting the Iraqis has been a burden on the budget, and seeks international aid to ease their already tight fiscal situation. USD 200 million of Jordan's FY 2008 economic assistance supplemental was intended to aid the displaced Iraqis in Jordan. Note: Jordanian officials typically put the number of Iraqi refugees at between 450,000-500,000; however, estimates from some organizations working with the refugees are significantly lower. End note.

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